Changes in FDI policy

*225. SHRI S. RAMACHANDRAN PILLAI: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether Government have allowed hundred per cent Foreign Direct Investment (FDI) in certain sectors;

(b) if so, what are the details thereof;

(c) whether Government have also recently notified changes in FDI policy including opening of defence, pharmaceuticals and housing sectors;

(d) if so, the details thereof; and

(e) the reasons therefor?

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI MURASOLI MARAN): (a) and (b) Yes, Sir. Government have permitted FDI up to 100%, *inter alia,* in the following sectors:—

(i) Manufacturing, except for defence industry sector where FDI is only permissible up to 26%. In the case of items reserved for SSI sector, FDI up to 100% is permitted subject to industrial licence and a minimum export obligation of 50% of annual production, beyond 24% FDI.

(ii) Exploration and mining of gold and silver and minerals other than diamonds, precious stones, and coal & lignite, except for captive consumption.

(iii) Processing of minerals, except for atomic minerals.

(iv) Electricity generation, transmission and distribution other than atomic energy, which is reserved exclusively for the public sector.

(v) Construction other than housing and real estate as a stand alone activity, which is open to NRIs/OCBs up to 100%.

(vi) Hotels, restaurants and tourism.

(vii) Transportation and storage other than railway transport, which is reserved exclusively for the public sector. In domestic airlines, NRIs/OCBs are permitted to invest up to 100%.

(viii)Business-to-Business e-commerce, internet service providers without gateways, infrastructure providers with dark fibre, voice mail, electronic mail and courier services.

Ox) Non-Banking financial services subject to minimum capitalisation norms, which is US$ 0.5 million up to 51 % US$ 5 million beyond 51% and within 75% and US$ 50 million beyond 75%.

(x) Consultancy Services.

(xi) Repair and maintenance services.

(xii) Health and medical services.

(xiii) Film Industry subject to a minimum paid up capital of US $ 10 million with minimum foreign equity participation of US $ 2.5 million for majority stake and a minimum paid up capital of US $ 5 million and foreign equity participation of US $ 1 million in other cases.

(c) to (e) In May 2001, Government have notified the following changes in the FDI policy:—

— FDI up to 100% has been permitted on the automatic route in drugs and pharmaceuticals that are not licensable and do not involve use of DNA re-combinant technology, and specific cells/tissue targeted formulations; hotel and tourism sector; and mass rapid transport system in all metros, including associated real estate development.

— FDI up to 100% has been permitted in airports, courier services and development of integrated townships and settlements subject to prior approval of Government.

— FDI limit in private sector banking has been raised to 49% (from 40%) and that in internet service providers with gateways, radio paging, and end-to-end bandwidth to 74% (from 49%) subject to licensing and security requirements with FDI beyond 49% requiring prior approval of the Government.

— FDI up to 26% has been permitted in the defence industry sector subject to licensing and security requirement.

These changes are part of the ongoing efforts to attract more FDI to supplement domestic investment, especially in the infrastructure sector.